THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

Before Commissioners: John Wine, Chair
Cynthia L. Claus
Brian J. Moline

In the Matter of the Application of Sprint Communications Company, L.P., United Telephone Company of Kansas, United Telephone Company of Eastern Kansas, United Telephone Company of South Central Kansas, and United Telephone Company of Southeastern Kansas for the Commission to Open a Generic Proceeding on Southwestern Bell Telephone Company's Rates for Interconnection, Unbundled Elements, Transport and Termination, and Resale.	)	Docket No. 97-SCCC-149-GIT

ORDER REGARDING NON-RECURRINd CHARGES FOR UNBUNDLED NETWORK ELEMENTS

The above-captioned matter comes on before the State Corporation Commission of the State of Kansas ("Commission") for determination of non-recurring charges for unbundled network elements. After examining its files and records, and being duly advised in the premises, the Commission finds and concludes:

I.

SUMMARY OF PROCEEDING WITH RESPECT TO NON-RECURRING COSTS

1. On February 19, 1999, the Commission issued its Final Order Establishing SWBT's [Southwestern Bell Telephone Company's] Prices for Interconnection and UNES [Unbundled Network Elements] (referred to hereafter as "February 19, 1999 Order"). The February 19, 1999 Order established general parameters for recurring and non-recurring cost elements that were intended to spur competition in local telephone markets by giving new entrants unbundled access to SWBT's existing network. February 19, 1999 Order at ¶¶ 73-78. The recurring cost elements

were specifically priced in Attachment A of the February 19, 1999 Order.[1] The non-recurring cost elements were specifically priced in Attachment B to that order. The prices for the non-recurring cost elements, as set forth in Attachment B, were found to be in the range provided by the cost studies filed in this docket and found to reflect the concerns or issues specifically related to the provision of service in SWBT's Kansas territories. February 19, 1999 Order at ¶¶ 90-96. The Commission also decided to rely upon prices established by the Texas and Missouri Public Service Commissions to assess the reasonableness of the prices established by the Commission. Prices should be similar for similarly defined elements, especially for those cost elements that use common resources with the five SWBT states: Texas, Missouri, Arkansas, Oklahoma and Kansas. February 19, 1999 Order at ¶¶ 73 and 95. The Commission granted reconsideration for the purpose of allowing additional time to consider the arguments raised by the parties. The Commission specifically advised the parties that the Commission may require additional cost study information. Order on Reconsideration, dated April 6, 1999.

2. On September 17, 1999, the Commission was persuaded that additional cost study information would be useful in further refining the prices for non-recurring cost elements and issued its Order on Reconsideration ("Reconsideration Order"). The Reconsideration Order set out several submission requirements and comment periods on designated non-recurring cost issues. The Commission specifically directed the parties to re-submit the non-recurring cost studies for provisioning of unbundled network elements based upon certain underlying determinations. The re-submitted studies were required to apply a forward-looking cost methodology, known as Total

---

1/The Commission reviewed the recurring cost elements on a separate track within this docket: This order deals only with the non-recurring cost elements.

Element Long Run Incremental Costs ("TELRIC"). The Federal Communication Commission ("FCC") adopted this methodology to carry out the purposes of the Federal Telecommunication Act of 1996. The Commission is obligated to follow the FCC methodology for pricing unbundled network elements because the FCC has chosen to exercise its statutory authority to prescribe a cost methodology for state commissions. *AT&T Corp. v. Iowa Utilities Board, 525* U.S. 366, 376-385 (1999). TELRIC is not a specific formula but a framework of principles that govern pricing determinations. While TELRIC consists of methodological principles for setting prices, state commissions retain flexibility to consider local technological, environmental, regulatory and economic conditions.

3. On November 9, 1999, Southwestern Bell Telephone Company ("SWBT") re-submitted its non-recurring cost studies for review and comment by other parties. AT&T Communications of the Southwest, Inc. ("AT&T") also re-submitted its cost studies on that date, in which AT&T attempted to rerun SWBT's original cost studies incorporating the Commission's ordered changes. The Commission received comments from Sprint Corporation ("Sprint"), AT&T, Commission Staff ("Staff"), and Birch Telecom of Kansas, Inc. ("Birch Telecom"), all filed on December 17, 1999. AT&T's comments included a second set of rerun SWBT cost studies, to which AT&T had made various modifications. SWBT filed responsive comments to the cost study runs provided by AT&T. On January 10, 2000, AT&T and SWBT filed further responsive comments. On January 10, 2000, DIECA Communications, Inc. d/b/a Covad Communications Company ("Covad") filed a motion to intervene in this proceeding, which was granted by Order dated January 27, 2000. Covad commented on the need for a separate docket to focus entirely on the digital subscriber line service ("DSL") elements and the deployment of DSL technology.

4. Staff's comments accurately described the flaws contained within SWBT's and AT&T's cost studies. Neither SWBT's nor AT&T's cost studies comply with the Commission's Reconsideration Order. As the record exists now, there is not an adequate basis for the Commission to accept alternative prices proposed by either AT&T or SWBT. The Commission has considered continuing this docket until all unbundled network elements needed by Competitive Local Exchange Carriers ("CLECs") are available with prices supported by accurate and approved costs. However, the Commission is very concerned about the length of time this proceeding has been pending, and prices need to be determined. Furthermore, in Docket No. 97-SWBT-411-GIT, the Commission agreed to support SWBT's application before the FCC for InterLATA authority under Section 271 of the Federal Telecommunications Act. The approval was premised, in part, on the expectation that final permanent prices for UNEs, including the non-recurring charge component, would be in place and available to CLECs. The Commission is committed to issuing orders that encourage the development of local exchange competition and the deployment of the latest technological advancements in Kansas. The Commission believes that the best way to execute this commitment is to complete this phase of the docket and issue an order setting prices for the non-recurring cost elements despite the failure of SWBT and AT&T to compile cost studies in accordance with the Commission directives. The Commission will utilize the information previously received in this matter, apply its best judgment and determine the prices for non-recurring cost elements now. Accordingly, the prices for UNE elements and services listed in the attached exhibit, Revised Attachment B, are approved.

II.

COMMENTS

5. Sprint's comments generally address proposed loop conditioning charges for advanced services. Sprint offers information and argument on that topic, based on its recent experience in its arbitration hearing in Docket No. 99-SCCC-710-ARB which included xDSL issues. Sprint notes in its comments that these same pricing issues will be addressed in the Covad/SWBT arbitration pending before the Commission.[2] Furthermore, Sprint attached the Arbitrator's ruling for the Texas Public Service Commission ("TPUC") in the consolidated arbitration proceedings between SWBT and Rhythms Link and between SWBT and Covad regarding loop conditioning charges. TPUC Docket Nos. 20226 and 20272 hereinafter referred to as the "Covad Texas Arbitration." Sprint points out that the flaws it identified in SWBT's conditioning charge calculations in its arbitration case before the Commission were echoed in the TPUC Arbitrator's decision. Sprint states that SWBT overestimates costs consistently by employing worst case scenario assumptions, along with deriving work function estimates that do not anticipate that SWBT will act as an efficient provider. According to Sprint, SWBT studies assume that every "interferor" will be removed in a manhole, which is the most time consuming and costly place for removal. This does not account for the fact that some removal will take place on aerial and buried cable, which is much less time consuming and costly. According to Sprint, SWBT assumes there is an engineering charge for each instance in which a load coil, bridge tap, or repeater (interferors) is removed, even if they are on the same line. Sprint states it is unrealistic, and more importantly, inefficient to only

2/The xDSL issues have been addressed now by the Commission and prices set on an inter& basis in Docket No. OO-GIMT-032-GIT.

condition one loop at a time. Also, according to Sprint, SWBT designates "binder groups" (groups of loops) for ADSL use. SWBT assumes it will condition one loop, and not the entire bundle, when the service is provided. Sprint states it found it preposterous, as did the Arbitrator in the Covad Texas Arbitration, that an efficient provider would undergo the extremely time-consuming effort it takes to condition a loop in a manhole, yet condition only one loop at a time. Sprint concludes that SWBT's proposed non-recurring loop conditioning charges should be rejected and that SWBT should be ordered to refile its cost studies to reflect the forward-looking costs of an efficient telecommunication provider. Sprint recommends that the Commission adopt, on an interim basis, the prices determined by the TPUC Arbitrator in the Covad Texas Arbitration and that the Commission withhold the final determination until after SWBT refiles its cost studies and after the Sprint/SWBT arbitration proceeding pending before the Commission is completed. Sprint's Comments at 2-5

6. Birch Telecom's comments reflect the concerns of the CLECs. Birch Telecom notes that it has a significant stake in the status of local competition in Kansas because it has made an aggressive attempt to enter the local markets in Kansas. Birch Telecom states its marketing efforts have been successful, but as more customers are provided service, Birch Telecom encounters more operational problems with SWBT. Birch Telecom continues to question whether SWBT has sufficient incentive to introduce changes to the Operational Support Systems ("OSS") that will minimize the risk of errors, delay, and extra costs inherent to manual processing. Birch Telecom outlines the record support for the Commission's previous decisions in favor of the requirement to use forward-looking TELRIC-based principles for pricing of non-recurring charges, which, among other things, in a forward-looking environment would require the use of mechanized systems. Birch

Telecom states it has launched its own "integrated, sophisticated back office" systems, ultimately expected to cost more than $20 million. According to Birch Telecom, it is doing what it can to use mechanized systems to ensure that its customers will not face the problems that are inherent in manual processes. The integrated system will allow Birch Telecom to provide a single bill for all services (local, long distance, Internet, and equipment), and will also allow it to provide faster provisioning and respond more rapidly to trouble reports. Birch Telecom states this is being done for the customer's benefit, so that customer service representatives have a wealth of information at their fingertips, the provisioning process is short and error-free, and newer, better services may be rapidly introduced. Also, Birch Telecom has sought to use the electronic means SWBT has made available to permit it to enter the market in an economy that is powered by the speed of the Internet. Birch Telcom believes that to compete effectively, a company must consider the speed at which the country is conducting commerce and complains that "SWBT has provided cost studies that include costs representing embedded manual processes and procedures. . . The Commission should not permit this blatant disregard of its instructions to continue." Birch Telecom Comments at 3. According to Birch Telecom, "SWBT's suggestion that companies continue to submit orders by mail is not only irrelevant, it is also incredible." Birch Telecom Comments at 4. What is troublesome to Birch Telecom:

> . . . is the seemingly constant need to rehash, reaffirm, and repeat the Commission's directives to SWBT. The record is replete with examples of SWBT intransigence. Simply put, SWBT repeatedly refuses to comply with Commission Orders, and the competitive market suffers from SWBT's successful efforts at continued delay.

Birch Telecom Comments at 5.

7. AT&T's comments critically review SWBT's non-recurring cost studies in light of the Commission's Reconsideration Order that adopted a five percent fall out factor for electronic processing of service orders and that assumed a 100 percent percent Dedicated Inside Plant ("DIP") factor and 80 percent Dedicated Outside Plant ("DOP") factor. AT&T provides an extensive recapitulation of the record supporting the Commission's earlier decision on the 5 percent fall out rate for electronic processing of service orders. According to AT&T, there is no reason for the Commission to now reverse itself and accept non-recurring cost inputs which reflect SWBT's embedded service order processes and procedures. AT&T states that SWBT has treated the Commission's Reconsideration Order as optional, and filed inputs proposed in its Petition for Reconsideration, rather than as determined in the Commission's Reconsideration Order. AT&T points out that SWBT's cost study reflected the 5 percent fall out factor in only one study, which was a new study and notes that the rest of SWBT's cost studies, with few exceptions, assume 100 percent fall out rather than 5 percent fall out factor required by the Commission for the re-submission of cost studies. AT&T cites a leading telecommunications analyst's report indicating that AT&T is spending several hundred million dollars on OSS systems to have complete flow through from the order in the field to the provisioning and billing records. According to AT&T, the new automated flow through system will also be able to provision capacity for the customer. AT&T notes this change as one example that the Commission's decision to require 100 percent electronic processing of orders is economically sound, in addition to being fully consistent with the Federal Telecommunication Act, the Kansas Telecommunication Act, and FCC Rules and Orders. As a further matter, AT&T states that the 80 percent DOP and 100 percent DIP assumptions are not reflected in SWBT's resubmitted cost studies. According to AT&T, this phase of the proceeding

should be focused on nothing more than conforming SWBT's studies to these requirements, in order to bring the docket to a close, create a degree of certainty for potential new entrants, and hasten the day when Kansans will have a viable choice of local service providers. Finally, AT&T notes that SWBT filed a number of new studies for various elements and services and recommends those studies be considered separately, if at all.

8. In addition, AT&T complains that SWBT failed "to translate its cost studies to a PC format." Order Setting Inputs for Cost Studies ("Inputs Order") dated November 16, 1998 at paragraph 16. According to AT&T, of the 39 studies SWBT filed, only 26 of the electronic versions exactly match the paper copies filed by SWBT. Many of SWBT cqst studies also utilize underlying calculations that are not contained within the electronic files provided by SWBT. AT&T criticizes SWBT studies as disjointed and requiring inordinate amounts of exacting labor to review and analyze. AT&T states that SWBT's failure to comply with the Commission's Order to fully mechanize its studies has greatly hampered AT&T's ability to analyze and rerun the SWBT studies and to present compliant studies. AT&T states that it modified SWBT cost studies to the extent feasible to be compliant with the Commission's orders. AT&T concludes that because of SWBT's failure to comply with the Reconsideration Order, the Commission should adopt AT&T's recommended prices for the non-recurring charges, based upon AT&T's cost studies that incorporate the 10 percent common cost factor agreed to by SWBT and AT&T.

9. SWBT's comments, filed December 17, 1999, review the cost studies performed by AT&T. More importantly, SWBT prayed that the Commission "adopt SWBT's NRC [non-recurring cost] studies for purposes of this docket." SWBT Comments at 14. SWBT states that its non-recurring cost studies are based upon TELRIC principles for the SWBT network.

10. SWBT states in its comments that "AT&T made unwarranted and illogical assumptions and changes to the Commission ordered inputs and SWBT studies which resulted in non-recurring costs that do not reflect reasonable forward looking costs." SWBT Comments at 1. In particular, SWBT states it is "clearly erroneous" to apply the 5 percent fall out factor to every non-recurring cost study. According to SWBT, the Reconsideration Order applies the 5 percent fall out input only for the service order process because the Reconsideration Order only refers to "incoming business orders falling out." Reconsideration Order at paragraph 70. Beyond that, SWBT states "given the fact that in some functions there are no electronic processes in the elements that will be done manually, it is illogical to assume a fallout factor in those studies." SWBT Comments at 2. SWBT states that "AT&T's methodology grossly distorts the NRC, and represents a clear departure from the intent of the Commission's [Reconsideration] Order." SWBT Comments at 2.

11. SWBT continues in its comments by specifically attacking several aspects of the AT&T cost studies:

A. **Unauthorized Change Investigation**–SWBT states it is incorrect to apply the five percent fallout factor to this cost study since it is a "manual investigation that is designed to resolve slamming complaints. It requires a service representative to conduct a manual investigation and then follow up with a Letter of Authorization."

B. **Network Interface Device ("NID")**–SWBT states AT&T incorrectly applied the 80 percent Dedicated Outside Plant factor. "When a CLEC incurs a charge for this work, 100 percent of the expense will be incurred 100 percent of the time. "SWBT intends to recover the cost of this function from CLECs that order this service." SWBT Comments at 3-**4.**

C. **8db Loop Nonrecurring cost study-SWBT** states that **AT&T** incorrectly applied the fallout factor, and failed to remove all TIRKS costs.

D. **BRI and PRI ("ISDN") Loop Non-recurring cost studies-SWBT** states that **AT&T** incorrectly applied the fallout factor, and the 80 percent DOP factor. BRI and PRI loops are not treated like POTS loops. ISDN is a special service, and SWBT will send a technician to the field 100 percent of the time.

E. **Station Terminating equipment (5db loss conditioning)-SWBT** states that **AT&T** incorrectly applied the fallout factor, and the 80 percent DOP factor. 5db loss conditioning is performed only at the request of the CLEC.

F. **Unbundled Local Switching Features-SWBT** states that **AT&T** incorrectly applied the fallout factor.

G. **Unbundled DS1 Trunk Port**–SWBT states AT&T incorrectly applied the fallout factor.

H. **Direct Inward Dialing-SWBT** states AT&T incorrectly applied the fallout factor. There are no mechanized processes in place, hence the fallout factor does not apply.

I. **Primary Rate Interface Port**–SWBT states AT&T incorrectly applied the fallout factor. There are no mechanized processes in place, hence the fallout factor does not apply.

J. **Maintenance of Service-SWBT** states AT&T incorrectly applied the fallout factor, did not remove all inflation factors, and used incorrect labor rates.

K. **Time and Materials**–SWBT states AT&T did not correctly apply the fallout factor, did not remove all inflation factors, and did not use correct labor rates.

L. **External Rater/Reference (Resellers and Facility Based)-SWBT** states AT&T incorrectly applied the fallout factor and used incorrect labor rates.

M. **Local and IntraLATA Toll Operator Assistance**–SWBT states AT&T incorrectly applied the fallout factor.

N. **Directory Assistance Call Completion-SWBT** states AT&T incorrectly applied the fallout factor.

0. **Local Switching Features-SWBT** agrees with AT&T that the service order portion of the study should be removed. Application of service order will be treated as a new service order. A change order would be applied on subsequent orders. Also, AT&T incorrectly applied the fallout factor.

P. **Unbundled Service Order-AT&T** incorrectly applied the fallout factor. SWBT states it has developed two new service order cost studies–one electronic, the other non-electronic or manual. The non-electronic cost study is based on the competing local exchange carrier submitting the Local Service Request by fax, mail or courier.

12. Finally, SWBT points out that the FCC's "UNE Remand" Order[3] found that it was not necessary to require a local exchange carrier to provide External Rater/Reference, Local and IntraLATA toll operator assistance, or Directory Assistance Call Completion as an unbundled network element. Since the FCC no longer considers these cost elements as necessary for the Incumbent Local Exchange Carrier ("ILEC") to provide, SWBT believes the Commission should direct that these cost elements be removed from master list of unbundled network elements filed with the Commission and that SWBT not be required to price these elements. SWBT Comments at 1 0-13.

13. Staff filed comments on December 17, 1999, which indicated that SWBT filed 46 cost studies, the majority of which were "reruns" of previously submitted studies, as directed by the Commission. However, Staff notes that several additional studies not previously filed with the Commission were submitted. According to Staff, in virtually every cost study where a direct

3/Third Report and Order, CC Docket 96-98, In the Matter of Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, Released November 5, 1999.

comparison was possible, SWBT's proposed prices are substantially higher than the prices set by the Commission in Attachment B of the February 19, 1999 Order. In another comparison, Staff indicates that the SWBT proposed prices were somewhat lower than the prices set forth in SWBT's originally filed cost studies (with the non-recurring cost associated with 2-wire loops being a notable exception). Staff reviewed both the AT&T and SWBT cost study filings, and found that neither is in "perfect compliance" with the Commission's requirements. Compliance issues identified by Staff include:

A. **Labor costs**–The Commission ordered SWBT to remove Transitional Benefit Obligation ("TBO") costs, sales commission, retail bonuses and award payments from its labor rate calculations. Overtime and premium time charges were to be removed when a separate rate element is proposed for overtime and premium time charges. Finally salary related support asset expenses were to be removed from calculation of the support asset factor. Since the non-recurring cost studies consist almost entirely of labor, it is important to address these issues in determining compliance. Staff states SWBT did remove TBO costs and sales commissions, and that bonuses and awards never were included. But SWBT removed TBO only from the calculation of Kansas support assets, and did not make analogous adjustments when calculating support asset expenses for assets located in Arkansas, Missouri, Oklahoma and Texas, which are included in the cost studies. Staff believes all Commission-ordered support asset adjustments should have been made to the support asset calculations for all five states.

B. **Electronic Ordering-Staff** notes that in spite of direct language in Commission orders, SWBT submitted a cost study based on fully manual processes. SWBT did this in the belief that it should be compensated for additional costs when a CLEC submits an order by fax or telephone. Staff suggested that a more reasonable solution to SWBT's claim would be to impose a modest surcharge, sufficient to recover the cost of having a SWBT clerical employee input the order into the ordering system. From that point forward, the order should be assumed to flow through the ordering and provisioning process like any other order. Furthermore, Staff notes that both studies are new; neither study represents a rerun of the original service order study, as required by the Commission's Reconsideration Order at paragraph 70. SWBT should have rerun its service order study to be consistent with its original filing, modified only to the extent required by the Commission's orders. This is the approach used by AT&T in its filing.

C. **Five Percent Fall Out**–Staff notes that provisioning network elements typically involves multiple stages, with numerous work activities within each stage. During each one of these stages, the potential exists for automated processes to fail, requiring manual intervention. When this occurs, an order is said to "fall out." One of the disputed issues in this proceeding is the level of fall out. SWBT has interpreted the phrase "incoming business orders" contained in paragraph 70 of the Reconsideration Order to limit the application of the 5 percent fall out factor to service order activities. Beyond the electronic service order cost study, SWBT continues to make a variety of assumptions regarding fallout. Using the loop study as an example, SWBT's assumptions equate to a cumulative fallout of 59.3 percent for circuit provisioning center activities. On the other hand, AT&T applied the fall out rate to SWBT's calculated work times, although those times had already been reduced somewhat by SWBT's fallout and probability of occurrence assumptions. This has the effect of understating the fall out rate. According to Staff, both AT&T and SWBT are incorrectly applying the Commission's fall out factor to individual work activities, rather than looking at the net fallout rate for an entire process within a study. When the fallout rate is applied to individual activities, the net result is to create a greater fallout rate for the process as a whole.

D. **TIRKS Expenses**–The Commission has previously ordered that SWBT shall not include costs associated with the TIRKS database in its proposed non-recurring cost element. SWBT only removed TIRKS related expenses from the 8db loop cost element. Staff believes that if an element is provisioned by SWBT in a retail environment without the use of TIRKS, then such expenses should be excluded from the studies filed pursuant to the Commission's Reconsideration Order.

E. **Dedicated Outside Plant ("DOP")**–the Commission required SWBT to assume that outside plant was left in place, or "dedicated," 80 percent of the time. Staff states that SWBT's 8db loop cost studies comply with this requirement, but that other loops, such as BRI, PRI, and 4-wire, use different assumptions. BRI costs are computed using a 5 percent DOP assumption, while PRI and 4-wire are computed using a 0 percent assumption. Staff understands this to be due to the nature of the electrical circuits as designed circuits, conditioned for ISDN use. If a new customer needs a BRI loop for ISDN service, "the odds are slim that a fully conditioned BRI loop will be available ready to go without requiring outside plant work." Because ISDN is so specialized, and because so few customers use this service, a much lower DOP frequency is appropriate, in Staff's opinion. Staff notes that the Reconsideration Order is not specific whether the 80 percent DOP factor should apply to all loops, or just to 8db loops. Staff states that the appropriate resolution to this issue depends at least in part on how and when the outside plant related non-recurring charges shall apply. Staff believes such charges should not apply when a customer is simply changing carriers. If a customer receiving ISDN service from SWBT switches to a competitive local exchange carrier, that in itself would not trigger outside plant work, and therefore non-recurring loop installation charges should not apply. This would be so even if the ISDN service was provided using the CLEC's switch rather than SWBT's switch.

F. **Dedicated Inside Plant ("DIP")**–The Commission required the use of a 100 percent DIP factor in calculating non-recurring costs. According to Staff, it "could find no evidence that SWBT complied with this provision of the Order on Reconsideration. Furthermore, SWBT filed revised port studies which appear to completely ignore the potential efficiencies associated with DIP. . . . Given a 100 percent DIP assumption, there does not appear to be any need for a port study of the type filed by SWBT." Staff Comments at 17.

G. **Switch Features-Staff** notes that this non-recurring cost study does not employ the 5 percent fall out rate, as would be required to be in compliance with the Commission's Reconsideration Order.

14. On January 10, 2000, AT&T filed responsive comments, stating that its cost studies filed with its December 17, 1999 comments supercede the cost studies it filed on November 9, 1999. AT&T also suggests that the comparison of the two sets of non-TELRIC prices provided by Staff is not useful in the process of determining lawful TELRIC prices because the Commission has adopted the TELRIC methodology in its previous orders. According to AT&T, the Inputs Order issued November 16, 1998 and the Reconsideration Order issued on September 17, 1999 contain the proper TELRIC principles and guidance that will result with non-recurring cost rates which comply with the Telecommunications Act of 1996 and the FCC's rules. AT&T concurs with Staff's recommended adjustment to support asset costs to span the five SWBT states. AT&T states that Staff's suggestion for a modest surcharge to reflect the cost of a SWBT clerical employee inputting a faxed or mailed service order into SWBT's OSS, and an assumption that the order flows through the ordering and provisioning process, is a sound one that should be adopted. AT&T agrees with Staff's comments that the application of the fallout rate to each work activity by both SWBT and AT&T in their cost studies was not consistent with the Reconsideration Order, and would overstate non-recurring cost rates. AT&T acknowledges that TIRKS costs would have been removed from its cost studies but for an oversight, as pointed out by Staff.

15. AT&T supports Staff's position that non-recurring cost charges should not apply to situations where a customer is simply changing carriers. This would be true whether a customer is using basic 8 db local service or a more complex service. AT&T urges the Commission to adopt this

position and make it explicit in findings. AT&T also supports Staff's position that port costs should be recovered in recurring rates.

16. AT&T disagrees with Staff that it is reasonable to assume a much lower DOP frequency in the context of BRI loops. AT&T states that the 80 percent DOP factor is an average factor for all outside plant, and that if a lower factor is to be used for non-basic service-related outside plant, then the factor for basic service-related outside plant should be increased. AT&T referenced its previous testimony and comments that 100 percent DOP should be employed in a true TELRIC study. According to AT&T, this is so because it is more efficient in the long run to put outside plant in place and leave it in place, rather than continuously connecting, disconnecting, and reconnecting outside plant.

17. AT&T challenges SWBT's application of a 5 percent fall out rate to the unauthorized change investigation as illogical. AT&T states that the process is not necessarily manual and that a slamming complaint, including any follow-up contacts, can be forwarded to the CLEC electronically. Only a small percentage of the cases (i.e., 5 percent) should require actual investigative time of SWBT investigators. If SWBT chooses to make direct contact with the customer, thereby availing itself of an opportunity to demonstrate its goodwill and solidify its relationship with the customer, that is a strategic choice made by SWBT. SWBT should not be allowed to charge the non-recurring cost for its costs resulting from that strategic business decision.

18. AT&T accepts SWBT's stated policy that the Network Interface Device ("NID") non-recurring cost charge will only be applied when a CLEC requests SWBT to disconnect a drop line from a NID. AT&T states this is more equitable than spreading the cost over all loops.

19. AT&T complains that incorrectly modeling ISDN/BRI loops as designed circuits often adds unnecessary conditioning equipment and testing systems. This results in the non-recurring costs becoming much more labor intensive than non-designed services, which in turn results in overstated non-recurring costs due to processes, work groups, and systems at work centers usually reserved for designed circuits being unnecessarily triggered. AT&T states its understanding is that the 80 percent DOP factor is an average that applies to all outside plant. If specific elements are going to assume a lower DOP factor, then the basic 8 db and BRI loops should assume a much higher DOP factor, such as the 100 percent originally proposed by AT&T.

20. On February 2, 2000, AT&T filed a Notice of Recent Decision of the United States District Court for the District of Delaware, on consolidated appeals of the Delaware Public Service Commission's orders entitled *BellAtlantic-Delaware, Inc. v. McMahon and AT&T Communications of Delaware, Inc. v. Bell Atlantic-Delaware, Inc.*, 80 F.Supp. 218 (D.Del. 2000). The court reviewed the Delaware Public Service Commission's decision to reject an incumbent local exchange carrier's Statement of Generally Available Terms ("SGAT") but approve an interconnection agreement between the same incumbent local exchange carrier and AT&T Communications of Delaware, Inc. The *court, inter alia*, addresses non-recurring charges for unbundled network elements and found that:

> All the parties agree that the [FCC's] Local Competition Order required the Commission to set these charges according to the forward-looking costing principles of TELRIC. The NRC charges, then, must 'be based on the use of the most efficient telecommunications technology currently available and the lowest cost network configuration.' *See* 47 C.F.R. Section 51.505 (b)(1). The Hearing Examiner's analysis, which the Commission adopted, did not address this regulatory standard. Instead, their analysis . focused entirely on the reasonableness of the future mechanization of

> Bell's current manual service order processing system. . . . The mechanization of Bell's current internal service order processes is irrelevant to the legal standard for determining network element costs.

Id. at 250-51. The court remanded the non-recurring cost issues to the Delaware Public Service Commission for additional hearings consistent with the TELRIC rules and regulations of the FCC. AT&T states that this federal court decision supports this Commission's previous decisions and urges the Commission to continue requiring 100 percent DIP factor, electronic flow through of orders through provisioning and billing, and limited (e.g., 5 percent) fall out for SWBT's non-recurring cost studies.[4]

21. On January 10, 2000, SWBT filed reply comments. SWBT states it interprets the Reconsideration Order to limit the application of the 5 percent fall out to the service order processing, making specific reference to the receipt of a service order from a CLEC. SWBT states the FCC recently recognized during the testing of Bell Atlantic's Operational Support System ("OSS") for "Section 271" InterLATA authorization purposes that extremely low fallout percentages are unrealistic. SWBT cites an Ex Parte submission by the New York Public Service Commission showing a fall out rate of 39.6 percent of CLEC orders submitted to Bell Atlantic, and further cites paragraphs 161-177 of the FCC's Order No. 99-295, regarding authorization of Bell Atlantic to provide interLATA services as additional authority supporting its position. SWBT disputes that it will be or should be able to provision services electronically 95 percent of the time. SWBT indicates that its cost studies do not include or contemplate the degree of sophistication and mechanization contemplated by AT&T and Birch Telecom. Nor did SWBT's recurring cost studies for its OSS

4/The Commission recognizes that certain TELRIC principles promulgated by the FCC were litigated before the United States Court of Appeals, 8" Circuit, and a writ of certiorari of the 8th Circuit Court's ruling is being considered by the United States Supreme Court.

include the additional investment as indicated by both AT&T and Birch Telecom. SWBT submits it followed the Commission's directions and changed those inputs specified to be changed in its refiled cost studies. Since SWBT's cost studies did not contemplate a 100 percent electronic provisioning system, SWBT concludes that the five percent fallout factor applied only to the service order process. According to SWBT, a probability factor should be used to determine how frequently manual processes will be required, but AT&T went further and attempted to apply a fallout percentage to wholly manual functions. SWBT cites the example of the NID disconnect as why this position is ludicrous. SWBT states that while a forward looking assumption may be called for under TELRIC, this approach must be tempered with reality.

22. SWBT states that it modified its electronic ordering cost study for the five percent fallout factor and revised the manual service order processing cost study to reflect the Commission-ordered inputs. SWBT states that CLECs should not be able to transmit service orders manually at a price equivalent to one transmitted electronically. SWBT does not agree that Staff's proposed "modest surcharge" allows SWBT to recover its costs, as required by the Federal Telecommunications Act of 1996.

23. SWBT notes that AT&T's comments were based upon the assumption of 100 percent DIP but that Staff recommended that DIP factor should not be assumed. SWBT followed Staff's recommendation and did not consider DIP in its rerun non-recurring cost studies. According to SWBT, a 100 percent DIP assumption means that the network element of the loop is always cross-connected to the switching port. If 100 percent DIP is assumed, there would be no non-recurring charge for the port. SWBT's comments make clear that it considers a 100 percent DIP assumption to be problematic from its standpoint because a 100 percent DIP factor incorporates the assumption

that there is never an unbundled port ordered separately from an unbundled loop. This is contrary to the Federal Telecommunications Act of 1996 which allows CLECS to purchase individual elements. SWBT also believes that a 100 percent DIP factor requires another assumption that when a loop is installed, it is automatically cross-connected or terminated to a port. SWBT states this would increase switching investment either because SWBT would need to keep spare capacity for the circumstance when cable is laid in advance of service (i.e., a new housing development), or additional capacity is purchased at the time the newly built lines are connected.

24. SWBT disagrees with Staff's recommendation that non-recurring cost charges only apply if new service is ordered or if there is a new customer. SWBT admits dispatch is not always required, but that this is accounted for in the probability of occurrence factor included in the cost study. A similar point pertains to AT&T's suggestion that its studies reflect 20 percent of service orders will require sending a truck (and technician) to work the order.

25. According to SWBT, it only removed the TBO expenses associated with Kansas expenses and not the TBO cost for the other four states' portion of support assets because the Commission's orders did not address whether it should remove TBO costs associated with the other four states. Moreover, SWBT complains that converting its non-recurring cost studies to PC format would have required SWBT to perform new and different cost studies, not rerun previous studies.

26. SWBT responds to Sprint's and Birch Telecom's comments regarding costs of conditioning loops to provide DSL service. According to SWBT, the TPUC has not adopted the Arbitrator's recommendation, which Sprint and Birch Telecom have urged this Commission to adopt. Also, SWBT contends that the prices proposed by Sprint are not based upon cost studies using SWBT's methodology and the Commission-ordered inputs and therefore should be ignored

as not in compliance with the Commission's orders. SWBT challenges Sprint's claims that SWBT's cost studies do not take account of the efficiencies of performing conditioning outside of manholes. SWBT asserts its estimates were conservative, while Sprint did not provide any support for its estimates. SWBT states it is not always desirable to remove all the interferors for an entire binder group in all cases, as suggested by Sprint. Because this may decrease the quality of Plain Old Telephone Service ("POTS") service, SWBT contends it should be allowed the option of conditioning an entire binder group when it would be efficient.

27. SWBT's Attachment A to its reply comments responds to individual aspects of AT&T's cost studies, which were filed in December 17, 1999. SWBT generally criticizes: (i) AT&T's application of the five percent fall out factor to non-service order activities and to activities that had already adjusted by "probability of occurrence" which equates to fall out; (ii) AT&T's application of the 80 percent DOP factor; (iii) AT&T's application of the wrong labor rates; and (iv) AT&T's application of the five percent fall out factor to the manual service order processing cost study.

III.

DISCUSSION

28. The Commission notes that SWBT's cost studies filed electronically in many instances do not match the paper copy filed with the Commission. Many of the studies utilize calculations not contained within the electronic files provided. SWBT cost studies are disjointed and require inordinate amounts of labor to review and analyze. The Commission granted reconsideration to allow SWBT and AT&T the opportunity to provide additional information so that the Commission would have access to accurate information based upon the pricing parameters of the Commission's

prior decisions. For the reasons described in Staff's comments, SWBT's and AT&T's cost studies do not comply with the Commission's directives for the re-submission of non-recurring cost studies. Under the Commission's rules of practice and procedure, the burden on going forward squarely fell upon AT&T and SWBT. K.A.R. 82-1-235(f). AT&T and SWBT have failed to provide the Commission an adequate basis to accept their prices proposed as alternative prices to the Commission's prior determinations.

29. The Commission originally accepted SWBT's cost study models over competing cost study methodologies, conditioned on the conversion of SWBT's main frame-based cost study models to a PC-based format. Complete PC-based cost studies make review and analysis much more available, efficient and straightforward for all parties. To date, SWBT has not complied with the Commission's order to submit cost studies in a PC-based format. SWBT responds by stating it has not converted any of its rerun nonrecurring cost studies to a PC format because the conversion would have required SWBT to perform new and different studies, not merely rerun previously filed studies. Not having the cost studies in PC-based format limited the ability of other parties, including Staff, to prepare independent cost study analysis and recommend prices for non-recurring charges in accordance the pricing parameters determined by the Commission. Furthermore, as noted above, SWBT's cost studies filed electronically do not match the paper copy filed with the Commission. Many of the studies utilize calculations not contained within the electronic files provided. If SWBT would have converted its cost study models into a PC format, these problems would have been avoided and would have allowed the parties to more accurately gauge the correctness of the information for themselves. The requirement that SWBT accomplish such a conversion still stands.

30. The Commission is faced with the necessity to choose the best course for setting final prices for the non-recurring unbundled network elements at this phase of the proceeding. The practical choices appear to be to continue the proceeding until all unbundled network elements needed by CLECs are available with prices supported by accurate and Commission-approved cost data or to assess the information the Commission received in this matter and its limitations, apply its best judgment, and determine the prices for the non-recurring unbundled network elements now. The Commission does not believe it is in the public interest to consume more time and resources in this docket to permit yet another round of cost study filings. Further delay may preclude Kansas from realizing the benefits of competition under the State Telecommunications Act and the Federal Telecommunications Act of 1996. Moreover, in Docket No. 97-SWBT-411-GIT, the Commission agreed to support SWBT's application before the FCC for InterLATA authority under Section 271 of the Federal Telecommunications Act premised, in part, on the expectation that final permanent prices for UNEs, including the non-recurring charge component, would be in place and available to CLECs. Accordingly, the only viable option is to determine the prices from the range established by the original cost studies, tempered for practical considerations, including consideration of rulings by the Texas and Missouri Public Service Commissions, which also regulate Southwestern Bell Telephone Companies, and by the comments filed by the parties on reconsideration. The Commission recognizes that many telecommunication services are provided on a regional basis. As such, it can be appropriate to rely upon the examination by other state commissions facing similar facts and circumstances. *See, e.g.,* OSS discussion in SWBT's Application and Staff Report filed in 97-SWBT-411-GIT

31. The Commission notes that some UNEs were not addressed by one or both parties in their cost studies or comments. In these instances, the Commission has relied upon cost study information for related UNEs. It is clear that some UNEs provide the same or similar function in SWBT's network. In those instances where the function is identical or nearly identical, the Commission will apply the rate for the similar UNE.[5] Furthermore, in those instances where the function is similar, it logically follows that a cost relationship should exist between the two elements and a ratio can be used to derive an appropriate price.[6] Similarly, the cost of a cross connect for DS1 Trunk port to collocation may be used to support pricing for a functionally identical dedicated transport cross connect to collocation, also at the DS1 level.[7]

Labor Costs:

32. The most significant cost component for setting UNE prices is labor cost. From review of Staff's evidence and comments, SWBT cannot provide any objective verification for its labor cost assumptions except for the hourly rate charged for a technician's work. For those functions requiring labor, it appears that SWBT has overstated costs associated with labor. As a result, SWBT's cost studies established the high end of the range for possible prices. It also appears that AT&T's cost studies placed more emphasis on automated or mechanized processing than SWBT which had the effect of minimizing labor costs. In the February 19, 1999 Order, the Commission weighted AT&T's and SWBT's cost studies so that the final price fell toward the low end of the range of possible prices. Under these facts and circumstances, the Commission believes it

---

[5]/See Reference Number 11 on Revised Attachment B.

[6]/See Reference Number 4 on the Revised Attachment B.

[7]/See Reference Number 6 on the Revised Attachment B.

appropriate to affirm the February 19, 1999 Order in this regard and weight AT&T's and SWBT's cost studies for those network elements omitted from the February 19, 1999 Order in the same manner.[8] In making this decision to weight AT&T's and SWBT's cost studies to fall toward the low end of the range of possible prices, the Commission recognizes that some degree of manual procedures and processes must be recognized in order to accurately price SWBT's network elements. The choice between manual processing and automated or mechanized processing should not be used to reward the inefficient service provider. The prices to be set by the Commission should reflect prudent costs, and should not be reflective of costs of an inefficient service provider. The Commission notes that the prices for the maintenance of service, and time and material elements have been corrected for mathematical errors made in the compilation of the original Attachment B.[9]

33. The Commission notes that AT&T's and SWBT's cost studies for switch features reflected an agreement on UNEs that were essentially automated processes. In these instances, the Commission accepts the prices reflected in the cost studies.[10]

34. With respect to labor costs claimed for customers changing carriers, Staff correctly points out that SWBT is not required to put facilities in place when a customer changes carriers. There is nominal, if any, labor cost incurred by SWBT to do so. Admittedly, some work is performed when billing is changed to a different service provider; however, this appears to be an

---

[8]/See Reference Numbers 1 and 2 on the Revised Attachment B.

[9]/See Reference Number 8 on the Revised Attachment B.

[10]/See Reference Number 7 on Revised Attachment B.

insignificant amount of time that has not been accurately estimated. Revised Attachment B will not include a charge for this function.[11]

Five Percent Fall Out Factor:

35. Providing network elements typically involves multiple stages, with numerous work activities in each. During each stage, the potential exists for automated processes to fail, requiring manual intervention. When this occurs, an order is said to "fall out." The Commission previously determined that a five percent fall out factor was appropriate. The five percent fall out factor provided additional support for the Commission to set prices toward the low end of the range of possible prices. The Commission directed SWBT to re-run its non-recurring cost studies, using modifications stated in the Reconsideration Order. The re-run cost studies were to be used to fine tune the final price determinations. The Commission specifically directed SWBT to use a fall out rate of 5 percent because the fall out of business orders from automated processing procedures in a business environment will result in additional manual handling (employee time), ill will and customer complaints, and ultimately the loss of business. These results would not be tolerated in a competitive environment, thus the fall out rates should be determined with a long-run view toward process improvement, efficient and prudent operation. As a regulatory policy matter, it is important to adopt forward-looking least cost standards to avoid institutionalizing disincentives that have an anti-competitive effect and lead to poorer service for consumers. Assumed high fall out rates reward imprudence and inefficiency; high fallout rates have the consequence of added cost for competitors

---

[11] The K2A interconnection agreement filed in Docket No. 97-SWBT-411-GIT calls for the same resolution.

as well as delays and poor service for customers.[12] This is not the expected result of competitive telecommunications markets, so high fallout rates will not be assumed in the non-recurring cost studies. Also, the Commission found that non-recurring costs should not be based on inefficient manual processing systems, which is not consistent with TELRIC principles requiring forward-looking, least cost methods. Furthermore, assumption of manual processing to any significant degree provides the ILEC with a large economic incentive to delay implementation of electronic flow through of orders through the service establishment process, with attendant negative consequences for the development of competition. The Commission previously stated that "electronic processing is a reasonable assumption for calculation of non-recurring costs, which is consistent and arguably required under the TELRIC costing principles which this Commission and the FCC have adopted." Reconsideration Order at ¶¶ 69-70. The Commission has neither a factual basis nor legal reason to change its prior determination on the five percent fall out factor.

36. The Commission recognizes that for some network elements, AT&T did not provide any cost analysis. Rather, AT&T merely multiplied SWBT's proposed costs times the 5 percent cost fall out factor to determine a recommended price. Prices based solely upon the application of the 5 percent factor are not acceptable.[13]

37. In its January 10, 2000 Reply Comments, SWBT states its OSS recurring cost studies did not include additional investment as indicated by AT&T and Birch Telecom. However, this issue is irrelevant. In paragraph 24 of the Order Regarding Issues Subject to Comment issued April

---

12/The Commission notes that in Docket No. 97-SWBT-411-GIT the record contains may examples of competitors' complaints regarding delay and excessive order handling, so this is clearly not an academic concern.

13/See Reference Number 3 on the Revised Attachment B.

27, 2000, the Commission noted that "as part of the SBC/Ameritech Merger, SWBT does not plan to recover its OSS monthly costs at this time and will refile a cost study at the appropriate time. As such, SWBT withdraws its cost study for OSS monthly recurring charges." SWBT stated it will eliminate these charges for a minimum of three years. SWBT Comments dated November 1, 1999. Under the SBC/Ameritech Merger Order issued by the FCC, SWBT waives OSS charges until October 2002. 14 F.C.C.R. 14712 (1999). Because SWBT will not charge for such costs for a minimum of three years due to the merger moratorium, whether these types of costs were present in SWBT's OSS recurring cost studies is irrelevant at this time.

38. Staff's comments illustrate that the provisioning[1] of network elements typically involves multiple stages, with numerous work activities in each. Staff stated both AT&T and SWBT applied the fall out factor of 5 percent to individual activities, rather than looking at the net fall out rate for an entire process within a study. According to Staff, the impact of SWBT's fall out assumption is that 59.3 percent of loop installation orders fail to flow through the entire process at the Circuit Provisioning Center and "fall out" to more expensive manual processing. Staff believes "the Commission intended to assume a cumulative fall out rate of 5 percent for all of the related activities within a particular study, thereby assuming that 95 percent of the time the process can be completed without manual intervention." Staff Comments at 13.

39. SWBT interpreted the Reconsideration Order to apply the 5 percent fall out factor only to service orders, and not to any of the other processes associated with the providing of unbundled network elements. SWBT believed the Reconsideration Order made no other changes to fall out assumptions in other non-recurring cost studies. This is an erroneous interpretation. Staff's position accurately reflects the intent of the Commission to focus on the cumulative impact

on customer service quality from the fall out factor. SWBT's interpretation is not reasonable, when the Reconsideration Order is viewed as a whole. The Reconsideration Order relies on a long-run view toward process improvement and efficient operation, noting the high fall out rates cause added cost for competitors, and delays and poor service for consumers. The one example Staff cites as an outcome of SWBT's interpretation–the 59.3 percent failure rate for circuit provisioning–is contrary to the Reconsideration Order.

40. SWBT's point is not saved by reliance on a "probability of occurrence" factor, which SWBT acknowledges "equates to fall out." SWBT Reply Comments, Attachment A at 1. The Commission intended a 5 percent fall out factor be used for the cumulative process associated with a particular UNE non-recurring cost. This intent is not to be obviated by employing additional factors, subdividing the cost study into smaller pieces, or other stratagem. As the cost studies filed here demonstrate, a 5 percent fall out assumption applied only to the service order process can be more than offset by larger fall out assumptions in subsequent steps in the process within the same cost study.

41. As further support for its fall out assumptions, SWBT refers the Commission to paragraphs 161-177 of the FCC's Memorandum Opinion and Order, CC Docket No. 99-295, released December 22, 1999. SWBT Reply Comments at 2. This section of the FCC Order pertains to the provision of access to OSS ordering functions from the incumbent local exchange carrier, Bell Atlantic-New York, to competitive local exchange carriers. A careful reading of the cited paragraphs does not disclose an FCC finding that "extremely low fallout percentages are unrealistic," as suggested by SWBT. In fact, the FCC's findings in this section of the FCC Order support the direction the Commission has taken. The FCC stated it has "used flow-through rates as an indicator

of a BOC's [Bell Operating Company's] ability to process competing carriers' orders. . . . Flow-through rates . . . are a tool used to indicate a wide range of possible deficiencies in a BOC's OSS that may deny an efficient competitor a meaningful opportunity to compete in the local market." FCC's Memorandum Opinion and Order, CC Docket No. 99-295, released December 22, 1999 at paragraph 162. The FCC found the incumbent local exchange carrier, Bell Atlantic–New York, has improved its on-time performance despite the fact that monthly volumes of UNE orders have increased from over 8,600 orders in January to almost 70,000 orders in September." *Id.* at paragraph 164. "Virtually all of the orders not received over EDI are received over the GUI" (i.e., in mechanized fashion). *Id.* at footnote 508. "Electronic notifications are superior to faxed notifications because they are quicker and do not require competing carriers to manually reenter information from the notice into their OSS." *Id.* at footnote 510. KPMG Peat Marwick's testing of incumbent local exchange carrier's systems "supports [the FCC's] conclusion that Bell Atlantic's [the incumbent local exchange carrier] systems are capable of achieving high rates of order flow through". *Id.* at paragraph 168. "Bell Atlantic's recent commitment to implement improvements to its OSS demonstrates that Bell Atlantic will continue to scale its systems to accommodate the expected increase in competing carrier UNE-platform order volumes. Specifically, Bell Atlantic proposes a series of enhancements to further reduce the manual processing of UNE-platform orders." *Id.* at paragraph 169 and footnote 529.

42. Birch Telecom noted that as more customers are provided service, Birch encounters more operational problems with SWBT. Birch Telecom has launched its own "integrated, sophisticated back office" to do what it can to ensure its customers will not face the problems inherent in manual processes. Birch Telecom has done this for the customer's benefit. Birch Telecom questions whether SWBT has had sufficient incentives to introduce changes to the OSS that

will minimize the risk of errors, delay, and extra costs inherent to manual processing. In addition, AT&T cited an analyst's report indicating that substantial sums of money have been spent by AT&T on OSS systems for AT&T to have complete and efficient flow through from receiving a service order, providing the service and billing for the service. The new automated flow through system will also be able to provision changes more readily in capacity for the customer. Both Birch Telcom and AT&T have invested substantial sums of money to eliminate the high cost of manual processing and become more efficient service providers. UNE prices should reflect the current state of technology for such processes.

Surcharge for Orders submitted by fax, telephone or mail:

43. Staff suggests a modest surcharge could be utilized to compensate SWBT when a competing local exchange carrier submits a service order by fax, phone or mail. Birch Telecom states SWBT's suggestion that competing local exchange carriers continue to submit orders by mail, requiring manual processes, is incredible. As demonstrated by the comments of AT&T and Birch Telecom, it is not forward-looking to assume continued, long term existence and use of manual service order processes. SWBT offers electronic interfaces for competing local exchange carriers to use in submitting orders. In an economy increasingly powered by electronic transactions, it is inappropriate to assume continued, extensive use of non-electronic interfaces. Indeed, an FCC order regarding the application of Bell Atlantic-New York, an incumbent local exchange carrier, for interLATA authority specifically notes that virtually all orders received by Bell Atlantic-New York are received electronically. Memorandum Opinion and Order, CC Docket No. 99-295, released December 22, 1999 at footnote 508. The Commission's expectation is that the State of Kansas will keep pace with other states. However, to recognize that manual processes will be used in rare

instances, the Commission finds that a surcharge is the appropriate direction to take, rather than approving a separate cost study and separate charge applicable to orders received by fax, phone or mail. Accordingly, SWBT may employ a surcharge for orders received via fax, phone or mail. As suggested by Staff, this surcharge shall be calculated to recover the cost of having a SWBT clerical employee input the order into its OSS. From that point forward, the service order should be assumed to flow through the ordering and provisioning process like any other order. The SWBT employee's time for the order entry is the only additional cost imposed by the CLEC's service order, and thus it shall be the only cost to be recovered in the surcharge. Furthermore, the nature of the task is such that the time taken for this activity will be brief. Thus, the Commission agrees with Staff that the surcharge will be "modest," and allows a surcharge of $10 based upon SWBT's cost study information for clerical staff inputting service order information. The surcharge is incorporated in the pricing for service order–manual, as set forth in Revised Attachment B.[14]

Transitional Benefit Obligation Costs ("TBO"):

44. The Commission earlier required SWBT to remove TBO costs from its labor rate calculations. Staff noted that TBO costs were only removed from Kansas-specific support asset expenses, but that these adjustments were not made when calculating support asset expenses located in Arkansas, Missouri, Oklahoma and Texas for non-recurring activities in Kansas. Staff believes the Commission intended to remove TBO costs from support asset expenses associated with each of the above states, not just Kansas. The Commission finds that Staff is correct. It would be inconsistent to remove TBO only from the calculation of support expenses for assets located in Kansas, but not for the other states. Each of the support asset expenses is being calculated because the asset is used to support non-recurring activities in Kansas. The inclusion or exclusion of TBO

---

[14]/See Reference Number 10 on Revised Attachment B.

costs was meant to address all support asset calculations. The appropriate recognition of TBO costs provides additional support for the Commission to set prices toward the low end of the range of possible prices.

TIRKS Expenses:

45. Staff states that SWBT only removed TIRKS-related expenses from its non-recurring cost study for the 8db loop. Staff believes that if an element is provisioned by SWBT in a retail environment without the use of TIRKS, then such expenses should be excluded from the non-recurring cost studies. Staff does not state whether there are additional cost studies from which TIRKS costs should have been removed, but its statement of the Commission's policy is accurate and should be adhered to in conducting the non-recurring cost studies. AT&T states it would have removed TIRKS costs in its version of the cost studies, except for oversight. The appropriate exclusion of TIRKS costs provides additional support for the Commission to set prices toward the low end of the range of possible prices.

Dedicated Inside Plant ("DIP"):

46. The Commission has required the use of a 100 percent DIP factor for purposes of calculating non-recurring costs. This DIP factor assumes that the line and port are already connected for purposes of costing, and thus no further work is necessary to connect the line and port to fulfill a competing local exchange carrier's order for service. This assumption is consistent with SWBT's practice of leaving facilities connected when one resident vacates a premise, so that service may be promptly provided when a new resident moves in. Staff notes that SWBT did not use this assumption in its cost studies. According to Staff, SWBT filed a port cost study which did not recognize DIP efficiencies. Even a cursory review of SWBT's filing bears this out. For example,

the line port charge according to the Reconsideration Order is $39.37, but when compared to the rerun cost study, SWBT proposes a line port charge of $80.45. AT&T has recited the record support for the Commission's earlier decision to utilize 100 percent DIP, which includes the fact that 100 percent DIP is the forward-looking economic practice. As labor costs rise and equipment costs decline, it is typically more efficient to leave connections in place for future reuse, thereby avoiding labor costs involved in dismantling and subsequently reconnecting the facility to the same customer premise. The failure to recognize the appropriate DIP factor provides additional support for the Commission to set prices toward the low end of the range of possible prices.

47. SWBT stated it followed Staff's earlier recommendation that DIP should not be assumed, and did not consider DIP in its rerun non-recurring cost studies. It is neither appropriate or reasonable for SWBT to rely on Staff's position, or any other party, when that position pre-dates a Commission order that addressed that specific issue. SWBT should have complied with the Commission's orders in this case, not selectively use as an assumption a party's position that had been addressed by a subsequent order. SWBT did not similarly rely on Staff positions in other areas that were against its preferences, so it is clearly inconsistent that it would do so here.

48. SWBT also contends that 100 percent DIP factor is contrary to the Federal Telecommunications Act of 1996, which allows competing local exchange carriers to purchase individual elements. However, the Federal Act does not detail the level of unbundling that is required, and does not specifically direct the unbundled, separate provision of a line port. Nor do the FCC's rules on unbundling specifically require the separate provision of a line port element. The Commission cannot visualize a circumstance where a CLEC would desire to order a line port from the ILEC, without also ordering a loop. When ports are properly priced, as we have done in this

matter, we also consider it to be very unlikely that a competing local exchange carrier would order a loop without a port. If ports were priced artificially high, it might lead the competing local exchange carrier to seek alternatives to obtaining the port from the incumbent local exchange carrier. But the Commission has priced ports on a cost basis. If SWBT is faced with the circumstance of a CLEC that wishes to order ports without loops, it can address that using procedures available to it under the Federal Telecommunications Act of 1996, and the procedures of this Commission. The 100 percent DIP assumption earlier required by this Commission is to be utilized in the cost studies. Also, as observed by both SWBT and Staff, this means that there is no non-recurring charge associated with providing a line side port to a competing local exchange carrier, although specified monthly recurring rates will continue to apply.

Dedicated Outside Plant ("DOP"):

48. The Commission's Order on Reconsideration required an assumption for cost study purposes that outside plant was left in place, or "dedicated" 80 percent of the time. There were varying views expressed by some of the parties on this requirement, including a request for "reconsideration" by SWBT. SWBT Reply Comments at ¶ 19. The primary support for SWBT's position appears to be a view that SWBT will incur costs every time an unbundled loop and an unbundled port are provisioned, even where facilities already exist. According to SWBT, "SWBT must reconfigure the network as an unbundled network where pieces of it are reconnected." *Id.* at paragraph 17. The Commission has dealt with this issue on more than occasion: first in the Inputs Order, and second in the February 19, 1999 Order at ¶ 93. In the February 19, 1999 Order, the Commission relied upon the decision of the United States Supreme Court on the FCC's unbundled network element rules. FCC Rule Section 51.315(b), which was upheld by the United States

Supreme Court, supports if not compels, the Commission's prior determination on DOP. SWBT's comments assume that the unbundled network elements are first disconnected, then reconnected. The FCC rule prevents the separation of currently combined network elements, except upon request of the competing local exchange carrier. SWBT's posited disconnection is not to occur under the FCC's rules. The appropriate recognition of the DOP factor provides additional support for the Commission to set prices toward the low end of the range of possible prices.

49. Narrower issues have also been raised by Staff and AT&T, and responded to by SWBT. Staff notes that SWBT did not employ the 80 percent DOP factor in its costing of Basic Rate Interface ("BRI") or Primary Rate Interface ("PRI") ISDN loops, or 4-wire loops. Staff believes that a much lower DOP factor is appropriate in this instance because so few customers use this service. Staff also notes that an appropriate resolution of this issue depends in part on how and when the outside plant related non-recurring charges shall apply. Staff believes that such charges should not apply when the customer is merely changing carriers. AT&T agrees with Staff's position that non-recurring costs should not apply when the customer is merely changing carriers but disputes Staff's comments that lower DOP factors may be appropriate for ISDN loops. AT&T states that the 80 percent factor was derived as an average of all loop types, so that if a lesser percentage is used for ISDN loops, a higher percentage should be utilized for basic loops. The Commission agrees with AT&T that the 80 percent DOP factor should be applicable to all loop types. SWBT's failure to incorporate the appropriate DOP factor provides additional support for the Commission to set prices in the low end of the range of possible prices. The Commission also agrees that a non-recurring charge should not be imposed on the customer when the customer merely switches service provides. For prior discussion on this issue, see paragraph 34 above.

Other Issues Regarding Cost Studies:

50. With respect to the Unauthorized Change (or Slamming) Investigation Charge, an issue arose as to whether the costs should be associated with a manual or electronic process. SWBT suggests the Commission should base such costs on a service representative conducting a manual investigation, which will include initial and subsequent contact with the competing local exchange carrier to resolve the slamming issue and follow up with a Letter of Authorization. AT&T suggests the Commission should base such costs on an electronic mail-centered process whereby SWBT's first response should be to forward the complaint electronically to the competing local exchange carrier for resolution, with any follow up contacts also made electronically. The Commission finds that it is inappropriate to assume almost away the time of the service representative, who will still be required to originate and respond to electronic mail messages. Given the volume of slamming complaints, and the fact that slamming appears to be a continuing problem, it would not be appropriate to reduce the charge to carriers for slamming investigation. The Unauthorized Change Investigation Charge from original Attachment B is not, on its face, unreasonable and provides an additional financial reason against slamming, which is the direction we wish to proceed. Accordingly, the Commission will continue the Unauthorized Change Investigation Charge of $6.83.

51. With respect to NID, the concerns regarding SWBT's NID charge appears to have been resolved by SWBT's commitment to charge only the competing local exchange carriers that order this service. *Compare* SWBT Comments, dated December 17, 1999, page 4, and AT&T Responsive Comments, dated January 10, 2000, paragraph 14. The Commission accepts SWBT's representation to charge competing local exchange carriers the NID charge only if such service is requested.

52. With respect to Emergency 911 services, the Commission accepts SWBT tariff rates.[15] Although local units of government have been able to negotiate Emergency 911 rates, the Commission believes that these rates are cost based. Furthermore, the Commission has not recieved any TELRIC cost studies pricing these elements. By accepting SWBT tariff rates, the Commission does not intend to preclude application of TELRIC principles in any subsequent Commission proceeding.

IV.

IMPLEMENTATION

53. Implementation of the Commission's order is critically important to the development of competition in Kansas telecommunication markets. As discussed above, in Docket No. 97-SWBT-411-GIT, the Commission agreed to support SWBT's application before the FCC for InterLATA authority under Section 271 of the Federal Telecommunications Act. The Commission's support was premised, in part, on the expectation that final permanent prices for UNEs, including the non-recurring charge component, would be in place and available to CLECs.

54. SWBT shall implement and incorporate the rates established in this order into all existing interconnection agreements that have established rates subject to determinations in this docket. No further order shall be required to execute this requirement.

55. The February 19, 1999 Order listed the prices of the non-recurring cost elements in the original Attachment B. These prices set forth in the original Attachment B were incorporated into SWBT's UNE master list filed on October 29, 1999. SWBT must refile its UNE master list incorporating the permanent prices established by this order and in accordance with instructions

[15]/ See Reference Number 9 on the Revised Attachment B.

provided herein. The permanent prices established by this order shall be effective as of the date of this order.

Operator and Directory Assistance ("OS-DA") or OS-DA functions and External Rater/Reference:

56. As discussed above, SWBT is required to refile its master list of UNEs in accordance with the Commission's findings made in this order. In the Order Regarding Issues Subject to Comment under the Reconsideration Order, the Commission addressed the necessity for SWBT to continue providing certain unbundled network elements in light of the FCC's Unbundled Network Element Remand Order. The Commission agreed with SWBT's position that under the FCC's order, an ILEC is not required to provide either call branding of OS-DA or OS-DA functions and External Rater/Reference as unbundled network elements, and no price will be determined by the Commission for these items in this order. However, the master list document to be filed with the Commission shall retain and identify these items in a separate section, appropriately labeled. This section of the document is intended to ensure that the public and CLECs have information of items that must be provided under the Federal Telecommunication Act on a nondiscriminatory basis. The master list document will provide Staff, CLECs and the public a single reference source identifying elements and functions that SWBT is required to provide under the act.

Directory White Pages:

57. In the February 19, 1999 Order, the Commission listed the charges for Directory White Pages on the recurring cost attachment. The Commission believes it is more appropriate to list most of these elements as non-recurring cost elements because they are more in the nature of a one-time charge. Those elements are set forth in Revised Attachment B. Accordingly, the UNE master list should be corrected to list the elements under the category of Directory White Pages as non-recurring cost elements. The charges for these elements shall remain the same as stated in the February 19, 1999 Order.

Permanent Prices of the Non-Recurring Charges for Unbundled Network Elements set forth in Revised Attachment B:

58. Attached to this order is Revised Attachment B. Revised Attachment B identifies the non-recurring elements and sets a price that fall inside the range of prices that a reasonable application of TELRIC principles would produce. The prices in Revised Attachment B reflect the Commission's efforts to fine tune the prices for the non-recurring cost elements, consistent with the determinations made by the Commission in this order. The Commission has kept the same format for listing the prices for the non-recurring cost elements. The Commission recognizes that the original Attachment B omitted some of the non-recurring unbundled network elements. The Revised Attachment B incorporates the omitted element and lists the final price. Reference numbers identify the specific basis upon which the Commission has calculated the price for the listed UNEs.

59. The prices set forth in the original Attachment B fell within the range of prices established by the cost studies initially filed in this docket. There are significant inconsistencies between the filed cost study information and the intent and direction of the submission requirements specified in the Reconsideration Order. The prices set forth in SWBT's re-submitted cost study are significantly higher than the prices submitted in SWBT's original cost studies. *See, e.g.*, Comparison of Non-Recurring Rates attached to SWBT's November 9, 1999 Letter Transmitting Cost Studies and Staff Comments dated December 17, 1999 at pages 2-3. Moreover, the re-submitted cost study information failed to correctly apply the 5 percent fall out factor, failed to remove TBO costs, and failed to employ the proper DIP and DOP factors. No explanation has been provided explaining why

a re-submitted cost study could have caused a doubling, tripling or even quadrupling of the UNE prices. The Commission finds that the original cost studies filed herein established the appropriate range of UNE prices from which the Commission will determine the final permanent UNE prices as reflected in Revised Attachment B.

60. The Commission notes that under the Stipulation and Agreement approved on October 13, 2000, the Commission will review these prices should the FCC revise its pricing rules as a result of either the United States Court of Appeals for the Eight Circuit issuing a final mandate on the FCC's pricing rules or the United States Supreme Court upholding the Eighth Circuit Court's vacatur or otherwise mandating modifications to any of the FCC's pricing rules. The Commission is free to update these prices in the future with current information, consistent with the pricing rules established through the litigation pending before the Eight Circuit Court or United States Supreme Court. The passage of time, changes in technology or other special circumstances may give rise for the Commission to review the UNE prices set in this docket.

61. The prices set forth in Revised Attachment B must be incorporated in SWBT's master list of UNE prices. As a result of this order, SWBT will be required to file a revised master list within 30 days. SWBT's master list will be available to the public, including CLECs. These prices are not set as a maximum or a minimum for parties negotiating interconnection agreements with SWBT. The Commission recognizes that special circumstances may exist between SWBT, as an ILEC, and a CLEC that will cause the parties to negotiate or arbitrate prices different from those provided in the master list. If an interconnection agreement can only be reached through arbitration, an arbitrator is free to consider the prices established in the master list. The Commission notes that under SWBT's K2A interconnection agreement filed in Docket N. 97-SWBT-411-GIT, a CLEC will

have the opportunity to purchase UNEs at the prices stated in the master list so long as all materially related provisions are taken pursuant SWBT's K2A interconnection agreement. While the Commission is free to examine whether the rates, charges, terms and conditions for basic UNE elements should be filed as a tariff to ensure access on a nondiscriminatory basis, SWBT's filing addresses the Commission's immediate concern about access to SWBT's network. The parties are encouraged to negotiate for better rates, charges, terms and conditions.

Loop Conditioning for Digital Subscriber Line Service ("DSL"):

62. DSL technology describes a family of transmission technologies that use specialized electronics at the customer's premises and at a telephone company's central office to transmit high-speed data signals over copper wires (and perhaps some fiber optic facilities). Only recently developed, DSL technology allows transmission of data at vastly higher speeds than can be achieved through analog data transmission. Due to the technological advances, DSL charges are extremely important to several telecommunications providers. Indeed, DSL charges have been subject in three recent arbitration proceedings pending before the Commission. *See, e.g.*, Sprint Communications/Southwestern Bell Telephone Co. arbitration, Docket No. 99-SCCC-710-ARB ("Sprint Arbitration") and DIECA Communications/Southwestern Bell Telephone Co. Arbitration, Docket No. 00-DCIT-389-ARB and 00-DCIT-997-ARB (collectively referred to as "Covad Arbitration"). Among the cost studies SWBT filed in this proceeding are ones which address aspects of DSL provisioning. Covad filed a Motion to Bifurcate the determination of DSL rates from this matter and to determine those rates in a separate proceeding. The Commission granted the motion and open an investigation in Docket No. 00-GIMT-032-GIT to expressly consider the terms, rates and conditions of DSL UNEs. The Commission will not address the DSL charges in this order.

However, SWBT is required to incorporate the interim prices authorized in 00-GIMT-032-GIT in its UNE master list.

<u>Other Changes to UNE Master List</u>:

63. The Commission notes that the FCC prohibits ILECs from separating already-combined network elements before leasing them to a competitor. Accordingly, the UNE master list shall not include the category identified as Cross Connect to Point of Access for UNE Combinations listed on pages 21-22 of the SWBT filing made on October 29, 1999. *AT&T Corp. v. Iowa Utilities Board, 525* U.S. 366, 393-95 (1999).

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

(A) The foregoing statements, discussion, and analysis are hereby adopted as Findings and Conclusions of the Commission.

(B) The prices set forth in the restated Attachment B are hereby accepted as the final prices of the non-recurring unbundled network elements.

(C) SWBT shall immediately revise and refile its UNE master list in accordance with the Commission's determinations made herein.

(D) SWBT shall immediately implement and incorporate the rates established in this order into all existing interconnection agreements that have established rates subject to determinations in this docket.

(E) The request of New Edge Network, Inc. to withdraw its petition to intervene is granted.

(F) Pursuant to K.S.A. 66-118b, the parties have fifteen days, plus three days if service of this Order is by mail, from the date of this Order in which to petition the Commission for reconsideration of any matter decided herein.

(G) The Commission retains jurisdiction over the subject matter and parties for the purpose of entering such further order or orders as it may deem necessary.

BY THE COMMISSION IT IS SO ORDERED.

Wine, Chr.; Claus, Com.; Moline, Com.

Dated: NOV 03 2000

ORDER MAILED

NOV 03 2000

Jeffrey S. Wagaman
Executive Director

Nonrecurring **Charges**

Unbundled Network Element	Final Rates		Reference
Network Interface Device (NID)			
Disconnect Loop from Inside Wiring, per NID	**$20.49**	$10.25	1
Unbundled Loops			
2-Wire Analog			
Zone I/Rural	$30.75	$14.50	2
Zone 2/Suburban	$30.75	$14.50	2
Zone 3/Metro	$30.75	$14.50	2
Conditioning for 5dB Loss	$22.76	$8.58	5
4-Wire Analog			
Zone I/Rural	$95.00	$45.50	4
Zone 2/Suburban	$95.00	$45.50	4
Zone 3/Metro	$95.00	$45.50	4
2-Wire Digital BRI			
Zone I/Rural	$72.50	$37.25	2
Zone 2/Suburban	$72.50	$37.25	2
Zone 3/Metro	$72.50	$37.25	2
4-Wire Digital PRI			
Zone 1 /Rural	$136.63	**$53.94**	2
Zone 2/Suburban	$136.63	$53.94	2
Zone 3/Metro	$136.63	$53.94	2
Unbundled DSL Capable Loops	TBD/DSL General Investigation Docket 01-GIMT-032-GIT		
Subloop Unbundling			
Loop Feeder			
2-Wire Analog			
Zone I/Rural	$23.25	$9.65	2
Zone 2/Suburban	$23.25	$9.65	2
Zone 3/Metro	$23.25	$9.65	2
2-Wire Digital (BRI)			
Zone I/Rural	**$55.90**	$23.05	2
Zone 2/Suburban	$55.90	$23.05	2
Zone S/Metro	$55.90	$23.05	2

Nonrecurring Charges

Unbundled Network Element	Final Rates		Reference
4-Wire Analog			
Zone I/Rural	$50.15	$19.90	4
Zone 2lSuburban	$50.15	$19.90	4
Zone 3/Metro	$50.15	$19.90	4
4-Wire Digital PRI			
Zone I/Rural	**$83.65**	**$38.05**	2
Zone 2/Suburban	**$83.65**	**$38.05**	2
Zone 3/Metro	**$83.65**	**$38.05**	2
Loop Distribution			
2-Wire Analog			
Zone 1 /Rural	$107.75	**$43.70**	2
Zone 2/Suburban	$107.75	**$43.70**	2
Zone 3/Metro	**$107.75**	**$43.70**	2
2-Wire Digital (BRI)			
Zone 1 /Rural	$117.55	**$47.15**	2
Zone 2/Suburban	$117.55	**$47.15**	2
Zone S/Metro	$1 17.55	**$47.15**	2
4-Wire Analog			
Zone I/Rural	$1 18.65	**$48.65**	4
Zone 2/Suburban	$1 18.65	**$48.65**	4
Zone S/Metro	$1 18.65	**$48.65**	4
4-Wire Digital PRI			
Zone 1 /Rural	**$170.50**	**$67.50**	2
Zone 2/Suburban	**$170.50**	**$67.50**	2
Zone 3/Metro	**$170.50**	**$67.50**	2
Customized Routing	ICB		
Ports			
Analog Line-Side Port	N/A	N/A	See Order
ISDN BRI Port	**$6.47**	**$3.53**	1, 3
ISDN PRI Port	**$214.53**	**$98.53**	1, 3
Analog DID Trunk Port	**$62.00**	**$25.00**	1, 3
Digital DS1 Trunk Port	$162.00	**$25.00**	1, 3

Nonrecurring Charges

Unbundled Network Element	Final Rates		Reference
Cross Connects			
Loop Cross Connects to Collocation/Mux/Interoffice			
Analog Loop to Collocation, with testing			
2 Wire X-Connect	$26.70	$25.55	2
4-Wire X-Connect	$31.75	$30.45	2
Analog Loop to Collocation, w/o testing			
2 Wire X-Connect	$18.25	**$9.90**	2
4-Wire X-Connect	$20.45	**$13.80**	2
Analog Loop to Collocation, w/o IDF and with testing			
2 Wire X-Connect	$26.70	$25.55	11
4-Wire X-Connect	$31.75	$30.45	11
Analog Loop to Collocation, w/o IDF & w/o testing			
2 Wire X-Connect	$18.25	**$9.90**	11
4-Wire X-Connect	$20.45	$13.80	11
Digital Loop to Collocation			
2 Wire BRI	$26.70	$25.55	11
2 Wire BRI w/o testing	$31.75	$30.45	11
4 Wire PRI	$46.65	$32.15	4
4 Wire PRI w/o testing	$46.65	$32.15	4
Analog Loop to Switch Port			
2 Wire	$26.70	$25.55	11
Digital Loop to Switch Port			
2 Wire BRI	$26.70	$25.55	11
4 Wire PRI	$46.65	$32.15	11
Switch Port Cross Connects to Collocation/MUX/Interoffice			
Switch Port to Collocation			
Analog Line Port to Collocation			
2 Wire X-Connect	$23.65	$17.70	2
4 Wire X-Connect	$37.30	$29.75	2,4
ISDN Port To Collocation			
2 Wire BRI	$27.10	$21.45	2
4 Wire PRI	$42.75	$36.05	2,4
Analog DID Trunk Port to Collocation	$23.65	$17.70	11
DS1 Trunk Port to Collocation	$42.75	$36.05	11

Nonrecurring Charges

Unbundled Network Element	Final Rates		Reference
Channelized DS1 Basic Cross Connects			
Capacity for Virtual Remote Terminal-Install	$11.64	$11.64	1
Capacity for Virtual Remote Terminal-Disc.	$7.08	$7.08	1
Dedicated Transport Cross Connects to Collocation			
DS1	$98.50	$80.30	3,4
DS 3	$68.75	$50.55	3,4
oc3	$56.50	$44.10	3,4
oc12	$56.50	$44.10	3,4
OC48	Deferred per 6/23/00 Reconsideration Order		
Dark Fiber Cross Connects	$56.50	$44.10	11
Unbundled Switch Port-Vertical Features			
Analog Line Port Features (per feature per port):	$0.05		
Call Waiting			
Call Forwarding/Variable			
Call Forwarding/Busy Line			
Call Forwarding/Don't Answer			
Three-Way Calling			
Speed Calling--8			
Speed Calling--30			
Auto Call Back/Auto Redial			
Distinctive Ring/Priority Call			
Selective Call Rejection/Call Blocker			
Auto Recall/Call Return			
Selective Call Forwarding			
Calling Number Delivery			
Calling Number/Name Blocking			
Remote Access to Call Forwarding			
Analog Line Port Features:			
Personalized Ring	$0.20		7
Hunting Arrangement	$2.55		2

Nonrecurring Charges

Unbundled Network Element	Final Rates		Reference
Usage Sensitive Analog Line Port Features:			
Call Trace per Feature per port	**$0.76**		1
ISDN BRI Port Features (per B Channel)			
CSV/CSD per ISDN BRI port	**$6.47**	**$3.53**	11
Basic Electronic Key Terminal Service Includes: Bridged Call Exclusion Bridging Call Forwarding/Don't Answer Call Forwarding/Interface Busy Call Forwarding/Variable Message Waiting Indicator Speed Call/Long Speed Call/Short Three Way Conference Calling	**$5.41**		1, 3
Call Appearance Call Handling EKTS CACH EKTS Includes: Additional Call Offering (Inherent) Bridged Call Exclusion Bridging Call Forwarding/Don't Answer Call Forwarding/Interface Busy Call Forwarding/Variable Intercom Key System Coverage for Analog Lines Message Waiting Indicator Speed Call/Long Speed Call/Short Three way conference calling	**$7.20**		1, 3
Basic Individual Features: Additional Call Offering Call Forwarding/Don't Answer Call Forwarding/Interface Busy Call Forwarding/Variable Calling Number Delivery Hunt Group for CSD Hunt Group for CSV Message Waiting Indicator Secondary Only Telephone Number Three Way Conference Calling	**$4.24**		

Nonrecurring Charges

Unbundled Network Element	Final Rates		Reference
ISDN PRI Port Features			
Dynamic Channel Allocation	$5.84		1, 3
Backup D-Channel	**$35.78**		**1.3**
Analog Trunk Port Features (per feature per port)			
DID #s - Initial 100 #s	$15.21		1, 3
- Initial 10 #s	$14.11		1, 3
Subsequent add or remove 100 #s	$12.70		**8**
Subsequent add or remove 1 0#s	$2.10		**8**
Unbundled Centrex-Like System Options			
System Initial Establishment per Serving Office – Analog Only	**$325.37**		1
Sys. Initial Establishment per Serving Office - Analog/ISDN BRI M	**$325.37**		1
System Initial Establishment per Serving Office – ISDN BRI Only	**$325.37**		1
System Subsequent Change per Serving Office – Analog only System		$89.86	1
Sys. Subsqnt. Change per Serving Office – Analog/ISDN BRI mixed system		$89.86	1
System Subsequent Change per Serving Office – ISDN BRI only system		$89.86	1
Sys. Subsqnt. Conversion per Serving Office – Add Analog to existing ISDN BRI		$89.86	1
Sys. Subsqnt. Conversion per Service Office – Add ISDN BRI to existing Analog		$89.86	1
Analog Line Port Centrex-Like Features			
Standard feature initialization per Analog Line Port	$1 .00		3, 4
Individual Features (per feature per port):	**$0.05**		**7**
Automatic Callback Calling/Business Group Callback			
Call Forwarding Variable/Business Group Call Forwarding Variable			
Call Forwarding Busy Line			
Call Forwarding Don't Answer			
Call Hold			
Call Pick-up			
Call Transfer – All Calls			
Call Waiting – Intragroup/Business Group Call Waiting			
Call Waiting – Originating			
Call Waiting – Terminating			
Class of Service Restriction – Fully Restricted			
Class of Service Restriction – Semi Restricted			
Class of Service Restriction – Toll Restricted			
Consultation Hold			
Dial Call Waiting			
Directed Call Pickup – Non Barge In			
Directed Call Pickup -With Barge In			
Distinctive Ringing and Call Waiting Tone			

Nonrecurring Charges

Unbundled Network Element	Final Rates		Reference
Hunting Arrangement – Basic			
Hunting Arrangement – Circular			
Speed Calling Personal (short list)			
Three-Way Calling			
ISDN BRI Port Unbundled Centrex-like Features			
Circuit Switched Voice (CSV)/(CSD) per ISD BRI Port	$2.00		3, 4
Standard feature initialization per ISDN BRI Device	$1.00		3, 4
Individual features (per feature/B Channel):	$0.05		7
Additronal Call Offering for CSV			
Automatic Callback Calling			
Call Forwarding Busy Line			
Call Forwarding Don't Answer			
Call Forwarding Variable			
Call Hold			
Call Pickup			
Call Transfer – All Calls			
Class of Service Restriction – Fully Restricted			
Class of Service Restriction – Semi Restricted			
Class of Service Restriction – Toll Restricted			
Consultation Hold			
Dial Call Waiting			
Directed Call Pickup – Non Barge In			
Directed Call Pickup – With Barge In			
Distinctive Ringing			
Hunting Arrangement – Basic			
Hunting Arrangement – Circular			
Speed Calling Personal (short list)			
Three-Way Calling			
Dedicated Transport			
Entrance Facilities			
DS1			
Zone l/Rural	$221.15	$87.70	2
Zone 2/Suburban	$221.15	$87.70	2
Zone 3/Metro	$221.15	$87.70	2
DS3			
Zone l/Rural	$260.45	$107.45	2
Zone 2lSuburban	$260.45	$107.45	2
Zone 3/Metro	$260.45	$107.45	2

Nonrecurring Charges

Unbundled Network Element	Final Rates		Reference
oc3			
Zone I/Rural	$273.05	$105.60	2
Zone 2/Suburban	$273.05	$105.60	2
Zone 3/Metro	$273.05	$105.60	2
oc12			
Zone I/Rural	$273.05	$105.60	2
Zone 2/Suburban	$273.05	$105.60	2
Zone 3/Metro	$273.05	**$105.60**	2
Interoffice Transport			
Voice Grade	$17.88	$17.88	1
DS1			
Zone I/Rural	$136.65	$78.80	2
Zone 2/Suburban	$136.65	$78.80	2
Zone 3/Metro	$136.65	$78.80	2
Interzone	$136.65	$78.80	2
DS3			
Zone 1 /Rural			
Zone 2/Suburban	$158.10	$97.75	2
Zone 3/Metro	$158.10	$97.75	2
Interzone	$158.10	$97.75	2
oc3			
Zone 1 /Rural	$168.90	$97.50	2
Zone 2lSuburban	$168.90	$97.50	2
Zone S/Metro	$168.90	$97.50	2
Interzone	$168.90	$97.50	2
oc12			
Zone I/Rural	$168.90	$97.50	2
Zone 2/Suburban	$168.90	$97.50	2
Zone 3/Metro	$168.90	$97.50	2
Interzone	$168.90	$97.50	2
Line Information Database (LIDB)			
LIDB Service Order	$12.70		8
Validation Query (Calling Card and BNS)	N/A		
Query Transport	N/A		
CNAM Query	N/A		
Service Establishment Charge	$50.40		8

Nonrecurring Charges

Unbundled Network Element	Final Rates		Reference
LSP to SS7 STP--Cross Connects			
STP to Collocators Cage DSO	$ **100.52**	**$82.47**	1
STP to Collocators Cage DS1	$ **90.52**	**$72.48**	1
STP to SWB Trunk Distributing Frame	$ **100.03**	$81.99	1
STP to SWB DSX Frame	**$ 90.52**	**$72.48**	1
SS7 Links			
STP Access Connection	N/A		
STP Access Link	N/A		
STP Port			
STP Port Termination	$162.217		1
Point Code Addition	**$50.40**		**8**
Global Title Translation	**$7.63**		1
Maintenance of Service (Basic, OT, Premium)			
Basic, per half hour	**$62.34**	$29.97	**8**
Overtime, per half hour	**$77.80**	**$37.70**	**8**
Premium, per half hour	**$93.25**	**$45.42**	**8**
Service Order--Manual			
New Service	$15.00		**10**
Change	$15.00		**10**
Record	$15.00		**10**
Disconnect	$15.00		**10**
Electronic Simple Service Order	**$5.00**		1
Time and Material			
Basic, per half hour	**$62.34**	$29.97	**8**
Overtime. per half hour	**$77.80**	**$37.70**	**8**
Premium. per half hour	**$93.25**	**$45.42**	**8**
Unauthorized Change Investigation	**$6.83**	**$6.83**	1
LSP Emergency Contact for Non-Pub Svc.	**$2.60**	N/A	1
Directory WP section			
White Pages Listing, Book, and Delivery			
Zone 1 /Rural			
NRC to enter or delete	**$0.33**	**$0.33**	1
Initial Delivery per Book	$1.111	$1.111	1
Subsequent Delivery per Book	$1.375	$1.375	1
Price for including an LSP page to SWBT directory (One-sided)	$85.17	$85.17	1

Nonrecurring Charges

Unbundled Network Element	Final Rates		Reference
Zone 2 /Suburban			
NRC to enter or delete	$0.33	$0.33	1
Initial Delivery per Book	$0.913	$0.913	1
Subsequent Delivery per Book	$1.265	$1.265	1
Price for including an LSP page to SWBT directory (One-sided)	$104.03	$104.03	1
Zone 3 /Urban			
NRC to enter or delete	$0.33	$0.33	1
Initial Delivery per Book	$2.93	$2.93	1
Subsequent Delivery per Book	$3.36	$3.36	1
Price for including an LSP page to SWBT directory (One-sided)	$1,714.64	$1,714.64	1
E911			
Combined ANI & Selective Routing	$1,033.00	$517.00	9
Combined ANI & Auto Location ID (ANI/ALI)			
Direct Trunk	$576.00	$288.00	9
Routed	$956.00	$478.00	9
Combined ANI/ALI/SR	$1,383.00	$692.00	9
LSP to Control Office	$312.00	$312.00	9

References

1. February 19, 1999 Order, Attachment B.
2. Based on 1/3 SWBT and 2/3 AT&T Proposed Costs
3. AT&T Cost Estimation not Used, Due to Erroneous Application of 5% Factor
4. Relationship to cost of similar element, or to cost study results.
5. Missouri Rate from prior order.
6. DS1 Trunk Port Rate
7. SWBT and AT&T cost studies in agreement.
8. Rate from SWBT Cost Study
9. SWBT Tariff Rates
10. Electronic Service Order rate plus $10 surcharge.
11. Rate for similar element.